

AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D.C. 20523

AMENDMENT NO. 1  
to the  
PROJECT MEMORANDUM

NEW INDEPENDENT STATES: **DEMOCRATIC AND ECONOMIC INITIATIVES**  
(110-0001)

Approved: March 27, 1992

Table of Contents  
Amendment No. 1 to the Project Memorandum  
**Democratic and Economic Initiatives Project**  
Former Soviet Regional  
No. 110-0001

	PAGE
Title Page	i
Project Authorization	1

Attachments:

Attachments:

- TAB A - Amendment No. 1 to the Project Memorandum including  
the detailed description of the new PVO component
- TAB B - Congressional Notification
- TAB C - Fries/Morris Memo dated 12/27/91
- TAB D - Initial Environmental Examination
- TAB E - Circular 175 Authorization dated 02/04/92
- TAB F - 620(c) Determination dated 1/20/92
- TAB G - Action Memorandum to the Administrator, 03/25/92
- TAB H - 620(f) Determination dated 9/10/91
- TAB I - Interim Reorganization Delegation of Authority  
No. 1 dated 05/16/91

1

ACTION MEMORANDUM FOR THE ASSOCIATE ADMINISTRATOR FOR OPERATIONS

March 23, 1992

FROM: EUR/OSA, Paul O'Farrell *POF*

SUBJECT: Project Authorization Amendment No. 1 for the  
Democratic & Economic Initiatives Project No. 110-0001

**PROBLEM:** Your approval is required to amend the Project Authorization for the Democratic and Economic Initiatives Project (DEI) to support activities in the New Independent States (NIS). The amendment increases the life-of-project funding from \$3.2 million to \$25 million and extends the Project Assistance Date two years to February 4, 1996.

**BACKGROUND:** The purpose of the Democratic and Economic Initiatives Project is to support the economic and social transformation of the New Independent States into free-market democracies by providing western knowledge and experience to social and economic reformers at all levels. The initial \$3.2 million Project Authorization was signed on January 21, 1992. With the exception of PD&S money, all funding documents have been prepared for activities including the Special American Business Intern Training Program (SABIT), the USIA Public Policy Program, the Department of State Rule of Law program, the International Executive Service Corps (IESC) and the Citizens Democracy Corps (CDC) as well as to organizations to start-up health and housing activities. PD&S funds are obligated on an as needed basis.

**DISCUSSION:** In late January 1992, after this project was initiated, the Secretary of State organized and chaired an international conference to discuss strategies for technical assistance to the NIS. Numerous recommendations were made by conference participants and later endorsed by the Secretary of State. These recommendations are now being developed and readied for implementation through A.I.D. projects.

The DEI Project is implementing activities supported by conference recommendations. It was therefore determined that project activities which are multi-sector in nature be expanded to additional states of the NIS through an amendment to the existing project. The Project will continue to provide short- and medium-term advisory services, training, PVO coordination and support and other assistance including studies and assessments to promote the emergence of market economies and democracy in the NIS. One new activity being added to the Project is a program to support the development of voluntarism in the NIS to address basic human needs. Future health, Rule of Law, housing and foundation activities initiated under the DEI Project will be funded through separate projects (Health Care Improvement No. 110-0004, Democratic Pluralism No. 110-0007, Housing Sector

Reform No. 110-0008 and Foundation of Technical Assistance and Training No. 110-0010).

This amendment increases life-of-project funding from \$3.2 million to \$25 million and extends the PACD two years to February 4, 1996, four years from the date of the first project obligation. Activities to be undertaken will include:

- Expansion of the SABIT Program (IAA) to support a total of 450 interns including 150 defense-related scientists. U.S. firms sponsoring interns will continue to be required to share costs with the USG. Life-of-Project (LOP) funding is estimated to be \$3 million. The amended obligating 632(b) Interagency Agreement (IAA) is currently being prepared.
- Expansion of the USIA Public Policy/Administration Program (IAA) visitor/training and advisory programs to at least three additional states (possibly Byelarus, Ukraine, and Russia). Armenia, Kazakhstan and Kyrgyzstan are included in the current program. The program will continue to develop a critical mass of national and local leaders trained in the principles and practices of democratic governance. Advisors will be sent to capital cities and other major cities in the NIS. Activities will be expanded to include longer-term training programs and development of linkages for private entities and national, regional and municipal public officials in the U.S. and the NIS. LOP is \$2.4 million. A 632(b) IAA amendment is in draft.
- Expansion of the IESC activity (Cooperative Agreement grant - CA) to expand the volunteer executive program and trade and investment services to at least eleven states. LOP is \$6 million. The revised scope of work and amended budget for the required PIO/T is being prepared.
- Expansion of the Citizens Democracy Corps activity (CA grant) to provide for longer-term support of CDC activities to include encouraging the U.S. private sector (including voluntary organizations), to mobilize and contribute its expertise and resources to meet priority needs, assist NIS enterprises, non-profit organizations, educational institutions and governments to articulate needs for assistance, motivate and increase the capability of the U.S. private sector to respond to those needs and leverage financial and in-kind resources. LOP is estimated to be \$2.7 million. A PIO/T amendment will be submitted shortly.
- Completion of the Rule of Law Program at its current level of funding (\$0.25 million) over the next 10 months.
- Initiation of a program to help enhance local humanitarian and development efforts to meet basic human needs (food,

shelter, medical and social) by establishing and strengthening the emerging voluntary sector in the NIS. The activity will consist of a cooperative agreement with a lead organization and sub-grants to other U.S. organizations designed to foster NIS volunteerism and institutional development of local non-governmental organizations (NGOs) while providing essential technical assistance, training and limited commodities to support TA and training. Target populations will include infants, children, women, the elderly and the handicapped. This activity was approved by at a Technical Review Committee meeting held on March 19, 1992. A detailed description of that activity along with the minutes of the Review meeting are attached to Amendment No. 1 of the Project Memorandum included at TAB A. LOP is \$8.5 million. A Request for Applications is being prepared by the Project Officer and the A.I.D. Contract Officer so that procurement action can be initiated quickly after the Project Authorization Amendment is approved.

- Continued provision of short-term technical assistance and other project-related development and support activities. LOP is estimated to be \$1.42 million. PIO/Ts for these activities will be prepared as needed.

**SUMMARY (\$ millions)**

	<u>Existing</u>	<u>This Amendment</u>	<u>Total</u>
1. SABIT	1.00	2.00	3.00
2. IESC	0.50	5.50	6.00
3. Rule of Law	0.25	-0-	0.25
4. Citizens Democracy Corps	0.45	2.25	2.70
5. USIA	0.15	2.25	2.40
6. Housing Start-up Costs	0.28	-0-	0.28
7. Health Start-up Costs	0.45	-0-	0.45
8. Program Support	0.12	1.30	1.42
9. PVO	-0-	8.50	8.50
TOTAL:	<u>3.20</u>	<u>21.80</u>	<u>25.00</u>

\$11.7 million of the \$21.80 has been requested for obligation this year as follows:

	<u>FY 1992 Obligations</u>		
	<u>Previous</u>	<u>New</u>	<u>Total</u>
1. SABIT	1.00	1.00	2.00
2. IESC	0.50	3.25	3.75
3. Rule of Law	0.25	-0-	0.25
4. Citizens Democracy Corps	0.45	0.75	1.20
5. USIA	0.15	2.25	2.40
6. Housing Start-up Costs	0.28	-0-	0.28
7. Health Start-up Costs	0.45	-0-	0.45
8. Program Support	0.12	0.45	0.57
9. PVO	<u>-0-</u>	<u>4.00</u>	<u>4.00</u>
TOTAL:	<u>3.20</u>	<u>11.70</u>	<u>14.90</u>

**DESIGN AND REVIEW PROCESS:** Amendment No. 1 to the Project Memorandum for this project follows procedures established for Eastern Europe projects and otherwise meets A.I.D. regulations and policies. Appropriate clearances have been sought and a formal review (with State/CISA participation) of the new PVO activity was undertaken on March 19, 1992 (see TAB A attachment). All other programs are expansions of approved activities reviewed by the Inter-agency Committee on December 20, 1991. An additional Inter-Agency review was therefore not held. The State Department's Coordinator's office has provided policy guidance, approved the funding levels and carefully reviewed and cleared this project amendment.

**CONGRESSIONAL NOTIFICATION:** The Congressional Notification expired on March 21, 1992. A copy is attached at TAB B.

**SOURCE AND ORIGIN:** Goods and services procured under the Project will have their source and origin in the United States (Code 000) for foreign exchange costs or in the cooperating country for local currency costs. Local procurement within states of the NIS will be conducted in accordance with Chapter 18 of A.I.D. Handbook 1B. A formal determination under Section 604(a) of the Foreign Assistance Act of 1961 is in process to remove the NIS from the category of non-Free World countries. In the meantime, the Fries/Morris memo (TAB C) will allow local procurement to proceed as necessary. Procurement from Code 941 and Code 935 countries, if required, will be done on the basis of appropriate waivers.

**ENVIRONMENTAL CONSIDERATIONS:** The Project involves technical assistance and training and has no significant impact on the environment. A.I.D. assistance for education or training programs, as provided under this project, are generally categorically excluded from environmental examination under 22 CFR 216 Environmental Procedures, Sections 216.2 (c)(1)(i) and (c)(2)(i). A portion of the funds from this project will be transferred to other government agencies using established

transfer procedures. In such cases, the environmental procedures of the implementing agencies will apply. A certification of the IEE is attached for your signature (Tab D).

**AVAILABILITY OF FUNDS:** \$5.65 million in FY 91 ESF funds available as a result of reprogramming of funds originally destined for Pakistan plus \$6.05 million in FY 92 ESF funds have been requested by A.I.D. from OMB.

**IMPLEMENTATION DETAILS:**

- **Monitoring:** Overall project supervision and monitoring will continue to be the responsibility of an A.I.D. Project Officer assigned to EUR/OSA or its successor entity. That Project Officer will be assisted by other Project Officers who will oversee the day-to-day implementation of the various sub-activities. Recipients of A.I.D. funds under IAAs will be responsible for monitoring A.I.D.-financed activities and these agencies will submit periodic reports to A.I.D. on the status of these activities.

Monitoring will be conducted initially from Washington and will be based upon field reports provided by the grantees and contractors and Embassy staff travelling through the region. When permanent A.I.D. personnel are stationed in the NIS, direct oversight and monitoring will be supported by in-country A.I.D. staff.

Quarterly reports will be required of all project implementors (USG agencies and grantees). Project Implementation Reviews will be conducted on a semi-annual basis. Periodic field assessments will be undertaken with the frequency necessary for good management.

- **Evaluation:** Each transfer recipient, grantee and contractor will prepare an evaluation plan to be approved by A.I.D. or the U.S. agency implementing the activity. Funds will be available under the Project to fund external evaluations, as necessary. An evaluation at the end of the second year may be undertaken in cooperation with other participating USG agencies to determine overall project progress and recommend necessary modifications, if necessary.
- **Audit:** Contracts, grants and IAAs executed under this project will provide that audit and inspection requirements as set forth in the Inspector General Act of 1978, as amended, shall apply. A.I.D.'s IG shall ensure full compliance with all applicable provisions of the Act. In addition, appropriate audit rights will be provided in an agreement between the U.S. and recipient states as noted below with respect to taxes.

- **Host Country Duties and Taxes:** A Circular 175 authorization was obtained from the Deputy Secretary of State on February 4, 1992 permitting negotiation of U.S.-NIS states agreements covering these matters (TAB E). Negotiation should commence shortly. These written arrangements will include appropriate language concerning aid recipients' responsibilities and contributions, duties and taxes, as well as audit rights. The written arrangements will insure, inter alia, that A.I.D. funds are not used to pay host country duties or taxes, that site inspections by the IG may be made and that A.I.D. financed commodities will be used only for project purposes.

**STATUTORY CHECKLISTS:** State completed country checklists for all states of the NIS except Georgia on January 17, 1992 and February 27, 1992. Copies of those classified documents are on file in EUR/OSA. Assistance may be extended to Georgia in the near future; however, this will be done only after a checklist is completed, and after "taking into account" matters are reviewed and approved by the Administrator specifically for that state.

Because certain states of the former Soviet Union are indebted to U.S. citizens, the Deputy Secretary of State issued a 620(c) determination on January 20, 1992 that program activities proceed based on national security considerations. The determination is attached at TAB F.

Taking into account matters are being reviewed by the Administrator (TAB G). One matter needs consideration. It is pursuant FAA Section 620(1), that OPIC has initiated negotiations but has not yet executed investment guaranty agreements with any of the eleven states to whom we plan to render assistance, but that assistance be permitted to flow to these states under the circumstances. However, no obligations will be made until the Administrator has approved "taking into account" matters. \*

**AUTHORITY:** You have authority to authorize this project pursuant to Interim Reorganization Delegation of Authority No. 1 dated May 16, 1991. This delegation of authority is attached at TAB I.

\* signed/approved shortly after authorization signed



**RECOMMENDATION:** That by signing below and where indicated you:  
(1) approve this Amendment No. 1 for the Authorization for the Democratic and Economic Initiatives Project No. 110-0001 for a total LOP of \$25.0 million, subject to the availability of funds;  
(2) extend the PACD two years to February 4, 1996 and, (2) approve the Initial Environmental Examination (TAB D).

Approved: SM Zander

Disapproved: \_\_\_\_\_

Date: 3/27/92

**Attachments:**

- TAB A - Amendment No. 1 to the Project Memorandum including the detailed description of the new PVO component
- TAB B - Congressional Notification
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## Clearances (DEI Project No. 110-0001)

GC: TGeiger <u>Jas</u>	Date: <u>3/27/92</u>
EUR/FM: INesterczuk <u>(draft)</u>	Date: <u>3/26/92</u>
CIS/TF: BTurner <u>(draft)</u>	Date: <u>03/25/92</u>
EUR/PDP: SSmith <u>(draft)</u>	Date: <u>03/24/92</u>
EUR/DR: RAnthony <u>(draft)</u>	Date: <u>03/25/92</u>
EUR/PDP: AdeGraffenreid <u>(draft)</u>	Date: <u>03/23/92</u>
ST/CISA: KVolker <u>(draft)</u>	Date: <u>03/26/92</u>
ST/CISA: ECheney <u>(draft)</u>	Date: <u>03/26/92</u>
ST/EUR/ICSA/TA: CMartin <u>(draft)</u>	Date: <u>03/25/92</u>

Drafted: EUR/OSA, JWiles, 03/20/92

03/26/92

**Amendment No. 1**  
**Project Memorandum**  
**Democratic and Economic Initiatives**  
**Project No. 110-0001**

**STATUS OF THE PROJECT:** The Democratic and Economic Initiatives Project (DEI) was authorized on January 21, 1992 with an initial funding level of \$3.2 million. The current Project Assistance Completion Date (PACD) is February 4, 1994.

Major activities of the DEI Project currently underway support a variety of activities including:

- the Department of Commerce's Special American Business Intern Training (SABIT) Program which trains New Independent States (NIS) managers in small, medium and large U.S. companies;
- the United States Information Service's (USIA) Public Policy/Administration Program to assist the states of Armenia, Kazakhstan and Kyrgyzstan strengthen their executive branches of government through training and advisory assistance;
- the Department of State's Rule of Law program directed towards the judiciary branches of government. The Rule-of-Law activity funds advisors on the restructuring of the legal system and technical assistance in the legal area in general. These services are being provided by the U.S. Department of Justice, U.S. justices, and law professors. NIS legal experts will also visit the U.S. to learn first-hand about democratic legal systems here.
- the International Executive Service Corps (IESC) to establish a field office in the Ukraine (Kiev) and initiate typical IESC volunteer activities;
- the Citizens Democracy Corps (CDC), a Presidential Initiative, to establish a presence in the NIS (Moscow), lay the ground-work for private voluntary organization coordination activities in the NIS and establish the legal framework for a foundation to provide technical assistance and training programs in the NIS.
- reviews of pharmaceutical and vaccine production and health services capabilities in the NIS in preparation for medium- and long-term project activities;
- review of the housing/shelter sector in preparation of the assignment of shelter advisors in up to six States to advise evolving public and the emerging private sectors on housing/shelter activities;
- program development and support activities.

**PURPOSE:** The Project purpose remains the same. It is to support the economic and social transformation of the States of the NIS into free-market democracies.

**RATIONALE FOR THE AMENDMENT:** In late January 1992, after this project was initiated, the Secretary of State organized and chaired an international conference to discuss strategies for technical assistance to the NIS. Numerous recommendations were approved by conference participants and later endorsed by the Secretary of State. These recommendations are now being developed and readied for implementation through A.I.D. projects.

The DEI Project is already implementing activities supported by conference recommendations. It was therefore determined that project activities which are multi-sector in nature be expanded to additional states of the NIS through an amendment to the existing project. The Project will continue to provide short- and medium-term advisory services, training, PVO coordination and support and other assistance including studies and assessments to promote the emergence of market economies and democracy in the NIS. Continuing activities include the Commerce SABIT Program, the USIA Public Policy/Administration Program, the IESC program and CDC activities. One new activity being added to the Project is a program to support the development of the voluntary sector in the NIS to address multi-sector basic human needs. Future health, Rule of Law, housing and foundation activities initiated under the DEI Project will be funded through separate projects (Health Care Improvement No. 110-0004, Democratic Pluralism No. 110-0007, Housing Sector Reform No. 110-0008 and Foundation of Technical Assistance and Training No. 110-0010).

**DESCRIPTION:** This amendment increases life-of-project funding from \$3.2 million to \$25 million and extends the PACD two years to February 4, 1996, four years from the date of the first project obligation. Activities include:

1. Expansion of the SABIT Program (IAA) to support 450 interns including 150 defense-related Soviet scientists. Firms sponsoring interns will continue to be required to share costs with the USG. Life-of-Project (LOP) funding is estimated to be \$3 million.
2. Expansion of the USIA Public Policy/Administration Program (IAA) visitor/training and advisory programs to at least Byelarus, Ukraine, and Russia and to provide additional inputs to Armenia, Kazakhstan and Kyrgyzstan. Advisors will be sent to capital cities and other major cities in the NIS. Activities will be expanded to include longer-term training programs and development of linkages for private entities and national, regional and municipal public officials in the U.S. and the NIS. LOP is \$2.4 million.

- 11  
3
3. Expansion of the volunteer executive services program and trade and investment services (TIS) under IESC (Cooperative Agreement - CA) to at least eleven additional states. LOP is \$6 million.
  4. Expansion of the Citizens Democracy Corps activity (CA grant) to provide for longer-term support of CDC activities to include encouraging the U.S. private sector and voluntary organizations to mobilize and contribute their expertise and resources to meet priority needs, assist NIS enterprises, non-profit organizations, educational institutions and governments to articulate needs for assistance, motivate and increase the capability of the U.S. private sector to respond to those needs and leverage financial and in-kind resources. LOP estimated to be \$2.7 million.
  5. Initiation of a program to help enhance local humanitarian and development efforts to meet basic human needs (food, shelter, medical and social) by establishing and strengthening the emerging voluntary sector in the NIS. The activity will consist of a cooperative agreement with a lead organization and sub-grants to other U.S. organizations designed to foster volunteerism and institutional development of local non-governmental organizations (NGOs) while providing essential technical assistance, training and limited commodities to support the TA and training. Target populations will include infants, children, women, the elderly and the handicapped. This activity was approved at a Technical Review Committee meeting on March 19, 1992. A detailed description of that activity, along with the minutes of the Review meeting are attached to this amendment. LOP is \$8.5 million.
  6. Continued provision of short-term technical services and other project-related development and support activities. LOP is estimated to be \$1.42 million.

**SUMMARY OF PROPOSED LIFE OF PROJECT FUNDING:**

<u>Obligations:</u>	FY 1992 - \$14,900,000
	FY 1993 - <u>10,100,000</u>
	TOTAL: \$25,000,000

12  
4

Illustrative Budgets  
(in \$ millions)

**By Category**

	<u>Existing</u>	<u>Amendment</u>	<u>Total</u>
<b>Technical Assistance:</b>	<u>1.20</u>	<u>15.20</u>	<u>16.40</u>
IESC	0.50	4.75	5.25
Rule of Law	0.15	-0-	0.15
Public Policy	0.10	1.45	1.55
CDC	0.45	1.70	2.15
PVO	-0-	7.30	7.30
<b>Training/Education:</b>	<u>1.15</u>	<u>3.30</u>	<u>4.45</u>
SABIT	1.00	2.00	3.00
Rule of Law	0.10	-0-	0.10
Public Policy	0.05	0.55	0.60
CDC	-0-	0.30	0.30
PVO	-0-	0.45	0.45
<b>Commodities:</b>	<u>-0-</u>	<u>2.00</u>	<u>2.00</u>
IESC	-0-	0.75	0.75
Public Policy	-0-	0.25	0.25
CDC	-0-	0.25	0.25
PVO	-0-	0.75	0.75
<b>Other:</b>	<u>0.73</u>	<u>-0-</u>	<u>0.73</u>
Housing/Shelter	0.28	-0-	0.28
Health	0.45	-0-	0.45
<b>PD&amp;S:</b>	<u>0.12</u>	<u>1.30</u>	<u>1.42</u>
<b>TOTAL:</b>	<u><b>3.20</b></u>	<u><b>21.80</b></u>	<u><b>25.00</b></u>

**By Group**

<b>IAAs</b>	<u>1.40</u>	<u>4.25</u>	<u>5.65</u>
SABIT	1.00	2.00	3.00
Rule of Law	0.25	-0-	0.25
Public Policy	0.15	2.25	2.40
<b>Grants</b>	<u>0.95</u>	<u>16.25</u>	<u>17.20</u>
IESC	0.50	5.50	6.00
CDC	0.45	2.25	2.70
PVOs	-0-	8.50	8.50
<b>Contracts</b>	<u>0.85</u>	<u>1.30</u>	<u>2.15</u>
Health	0.45	-0-	0.45
Housing/Shelter	0.28	-0-	0.28
PD&S	0.12	1.30	1.42
<b>TOTAL:</b>	<u><b>3.20</b></u>	<u><b>21.80</b></u>	<u><b>25.00</b></u>

**IMPLEMENTATION DETAILS:**

1. **Monitoring:** Overall project supervision and monitoring continues to be the responsibility of an A.I.D. project officer assigned to EUR/OSA or whatever entity assumes that responsibility in the future. The Project Officer is assisted by other A.I.D. Project Officers who are supervising and monitoring the various subactivities of the Project. Recipients of A.I.D. funds under IAAs will be responsible for monitoring A.I.D.-financed activities and these agencies will submit periodic reports to A.I.D. on the status of these activities.

Monitoring will be conducted initially from Washington and will be based upon field reports provided by the grantees and contractors and Embassy staff travelling through the region. When permanent A.I.D. personnel are stationed in the NIS, direct oversight and monitoring will be supported by in-country A.I.D. staff. Periodic field assessments will be undertaken with the frequency necessary for good management.

Quarterly reports will be required of all project implementors (USG agencies and grantees). Project Implementation Reviews (PIRs) will be conducted on a semi-annual basis.

2. **Evaluation:** Each transfer recipient, grantee or contractor will prepare an evaluation plan to be approved by A.I.D. or the U.S. agency implementing the activity. Funds will be available under the project to fund external evaluations, as necessary. An evaluation at the end of the second year may be undertaken in cooperation with other participating USG agencies to determine overall project progress and recommend necessary modifications, if necessary.
3. **Audit:** Contracts, grants and IAAs executed under this project will provide that audit and inspection requirements as set forth in the Inspector General Act of 1978, as amended, shall apply. A.I.D.'s IG shall ensure full compliance with all applicable provisions of the Act.
4. **Host Country Duties and Taxes:** A Circular 175 authorization was obtained from the Deputy Secretary of State on February 4, 1992 permitting negotiation of U.S.-NIS states' agreements covering these matters. Negotiation should commence shortly. These written arrangements will include appropriate language concerning aid recipients' responsibilities and contributions, duties and taxes, as well as audit rights. The written arrangements will insure, inter alia, that A.I.D. funds are not used to pay host country duties or taxes, that site inspections by the IG may be made and that A.I.D. financed commodities will be used

only for project purposes.

**RISKS:**

1. Relationships continue to evolve among the states of the NIS. The development of a new framework for their relationships must occur without outside interference. However, assistance activities could result in a real or implied interference by the U.S. in this domestic matter. Assessment: The potential for U.S. assistance activities to interfere or appear to interfere in this debate can be minimized by focusing activities on technical problems which are not an issue in the debate and by reaching an understanding with all players as to the appropriate counterpart and assisted entity and monitoring mechanisms.
2. The NIS as a whole and the individual states have not yet initiated a comprehensive economic reform program. This suggests a potential problem related to the resolve of some leaders to undertake radical reform or a fear that such reform could lead to an adverse political backlash. In this environment, assistance may have limited benefit or could abet those who wish to postpone reform. Assessment: The assistance provided under this project is advice and training. These types of activities do not relieve the pressures for economic change which arise from the shortage of resources. While the benefits of this project are likely to be less than they would be if carried out in a strong reform environment, the activities will encourage reforms by broadening the understanding of the market system and assisting in the design of reforms with reduced adverse effects. In addition, project activities will be concentrated in those states which make the strongest commitment to democratic and economic reform.

**PROPOSED GRANT/CONTRACT MECHANISMS:**

The primary method for implementing A.I.D.-managed activities will continue to be through the usual A.I.D. contracting and granting arrangements including IQCs, small business set-a-sides, and the funding of relevant unsolicited proposals. 632(b) Interagency Agreements will be used to transfer funds to other government implementing agencies. Waivers will be obtained as required to make it possible to utilize contracting procedures other than full and open competition.

**OTHER PROCUREMENT ISSUES:**

The Project Authorization will state that goods and services procured under the Project will have their source and origin in the United States (Code 000) for foreign exchange costs or in the cooperating country for local currency costs. Local procurement



15  
7

within states of the NIS will be conducted in accordance with Chapter 18 of A.I.D. Handbook 1B. A formal determination under Section 604(a) of the Foreign Assistance Act of 1961 is in process to remove the NIS from the category of non-Free World countries. In the meantime, a previous determination will allow procurement to proceed as necessary. Procurement from Code 941 and Code 935 countries, if required, will be done on the basis of appropriate waivers.

**ENVIRONMENTAL CONSIDERATIONS:** The Project continues to involve technical assistance and training and has no significant impact on the environment. A.I.D. assistance for such programs are generally categorically excluded from environmental examination under 22 CFR 216 Environmental Procedures, Sections 216.2 (c)(1)(i) and (c)(2)(i).

**ANTICIPATED ACCOMPLISHMENTS:**

1. Responding to requests for multisector technical assistance; building confidence and strengthening relationships with the NIS.
2. Acquiring economic data, program experience and insights on center and states institutions and reform plans and actions.
3. Continuing to set the stage for medium- and long-term technical cooperation to help transform the NIS and its states into free market democracies.

**attachments:**

- Private and Voluntary Organization (PVO) Component Description
- Minutes of the March 19, 1992 Technical Review Meeting approving the PVO component

Drafted: EUR/OSA, JWiles, 3/19/92

03/27/92

Private and Voluntary Organization (PVO) Component  
Democratic and Economic Initiatives Project

**Component:** PVO Initiatives

**Background:** With the collapse of the Soviet Union, several member states of the New Independent States (NIS) of the former Soviet Union have declared their intention to deepen the process of reform that aims to replace communism and central planning with democracy and free-market economies. An essential component of such economies is private and voluntary organizations (PVOs), such as in the United States where the voluntary sector forms an important element of the social safety net. The voluntary institutions which make up this safety net in the NIS, providing support and assistance to those dislocated by regular economic and social changes, have been significantly eroded by seventy years of communist rule. Hence, there is a need to rapidly expand this capacity. It is proposed, therefore, to support U.S. private sector efforts aimed at helping communities in the NIS build longer-term capacity to respond to their own needs while providing short-term sustenance to those affected most seriously by the current process of economic and political transformation.

**Purpose:** The purpose of this project is to help enhance local humanitarian/development efforts to meet basic human needs by establishing and strengthening the emerging voluntary sector in the NIS. This will be accomplished by:

- enhancing indigenous capabilities to provide humanitarian and/or development assistance through the institutional development of local non-governmental organizations (NGOs). In part, this will be accomplished by supporting PVO field programs which deliver direct humanitarian and/or development assistance to beneficiaries in areas/regions where needs are greatest. Target populations are to include, but not be limited to, infants and children, the elderly and handicapped and unemployed in areas/regions where needs are greatest.
- fostering voluntarism by providing technical assistance to:  
(1) help develop public policies which encourage the growth of private voluntary associations, (2) develop organizational and administrative skills among the managers of local non-governmental organizations (NGOs) and (3) enhance the fund-raising skills of new private voluntary associations/NGOs, and
- increasing U.S. private sector resources directed towards these humanitarian efforts by "matching" private cash and in-kind donations with A.I.D. funds which together will increase the impact/effectiveness of programs.

**Rationale:** U.S. PVOs have demonstrated their ability to design and implement successful humanitarian and development assistance programs, and to foster the development of indigenous NGOs. Many U.S. PVOs are already operating in the former Soviet Union, addressing the needs of certain targeted populations with their own private resources. This activity will provide A.I.D. funds to augment PVO private resources by increasing the quantity and quality of certain of their programs judged to be most in line with U.S. foreign policy objectives.

**Description:** This activity will consist of sub-grants designed to foster voluntarism and institutional development of local NGOs, while providing essential technical assistance/training, commodities and community development efforts. The portion of sub-grants providing direct services to beneficiaries should focus on certain targeted populations (including infants and children, the elderly and handicapped and recently unemployed) in regions/areas where development needs are greatest. In addition, priority for direct service delivery components will be given to activities which address basic human needs (i.e., food, shelter, medical and social needs).

Although participation in this activity is restricted to U.S. organizations, sub-grants will not be limited to PVOs registered with A.I.D. Sub-grants are anticipated to range between \$50,000 and \$750,000 and are to be completed within 24 months. When viewed together, sub-grants are to constitute a program which is balanced in terms of geographic coverage, target populations served and technical areas addressed. Sub-grantees will be required to identify the local entity with which they will be working. Sub-grants will:

- support pilot/model activities and new initiatives to foster voluntarism, demonstrate effective interventions, facilitate replication and provide additional private sector resources;
- provide training and technical assistance to enhance indigenous capabilities, including development of local NGOs;
- support capital costs linked to direct assistance to beneficiaries;
- leverage considerable private sector resources to assure high impact and maximum effective use of A.I.D. and private resources to address immediate needs while working toward sustainable interventions, and
- significantly include women in the program, both in leadership roles and as program beneficiaries.

**Proposed Life of Project Funding:** This three-year project has a minimum LOP funding level of \$8.5 million, with \$4 million to be obligated in FY 1992.

**Implementation Details:**

- . **Monitoring:** Overall project supervision and monitoring of the PVO component will be the responsibility of an A.I.D. project officer assigned to the Agency office responsible for the NIS program. Day-to-day implementation will be carried out a lead institution (such as a U.S. PVO registered with A.I.D. or an association of private/philanthropic organizations). Based on A.I.D.-approved guidelines, the lead institution will be responsible for:

- soliciting proposals for sub-grants;
- reviewing and awarding sub-grants with A.I.D. approval;
- monitoring and evaluating of on-going PVO programs (to include site visits, data collection and analysis and providing technical assistance);
- housing and implementing an information coordination unit for the purpose of gathering and disseminating information on needs garnered from sub-grantee activities and other appropriate sources, and
- reporting to A.I.D. on the status of individual activities and other topics/issues as requested by the A.I.D. official responsible for oversight of the PVO humanitarian assistance component of Project 110-0001.

The lead institution will also, either on its own or through a sub-grant to another organization, undertake an activity which addresses impediments to voluntarism. Of particular concern is development of public policies conducive to the creation of local NGOs and the creation/expansion of local NGO managerial and fund-raising capacities.

- . **Evaluation:** The lead institution will budget for and implement an on-going evaluation plan which will include an independent mid-term and final evaluation with A.I.D. having substantial involvement in the selection of the evaluator and the scope of work.
- . **Audit:** Audit and inspection requirements as set forth in the Inspector General Act of 1978, as amended, shall apply to the Cooperative Agreement and to the sub-grants executed under

this activity. A.I.D.'s IG shall ensure full compliance with all applicable provisions of the Act. In addition, appropriate audit rights will be provided in an agreement between the U.S. and recipient states as noted below with respect to taxes.

- . **Host Country Duties and Taxes and Other Critical Requirements:**  
A circular 175 authorization has been obtained permitting negotiation of U.S.-N.I.S. republic agreements covering these matters, and negotiation should commence shortly. This written arrangement will include appropriate language concerning aid recipients' responsibilities and contributions, duties and taxes, as well as audit rights. The written arrangement will ensure, inter alia, that A.I.D. funds are not used to pay host country duties or taxes, that site inspections by the IG may be made and that A.I.D. financed commodities will be used only for project purposes.

**Proposed Grant/Contract Mechanisms:**

A short list of no more than 10 organizations will be identified for limited competition to select the lead organization. Review and selection will be based on, among other things, demonstrated expertise and grant making/monitoring capabilities (including knowledge of A.I.D. sub-granting requirements). A cooperative agreement will be negotiated and signed with the selected applicant.

**Other Procurement Issues:**

The Project Authorization will state that goods and services procured under the Project shall have their source and origin in the United States (Code 000) for foreign exchange costs or in the cooperating country for local currency costs. Local procurement within one of the newly independent states will be conducted in accordance with chapter 18 of A.I.D. Handbook 1B. A formal determination under Section 604(a) of the Foreign Assistance Act of 1961 is in process to remove the newly independent states from the category of non-Free World countries. Procurement from Code 941 and Code 935 countries, if required, will be done on the basis of appropriate waivers.

**Risk Assessment:**

1. Requests will exceed resources and questions/complaints will be raised by PVOs who have their requests turned down.  
**Assessment:** The criteria and process for awarding sub-grants will be structured so the lead institution and/or A.I.D. can clearly articulate why funding for an application is being denied.

2. Prioritizing needs will be a problem. Assessment: The on-site information gathered by the disaster response teams currently in the field will be used to assist A.I.D., the lead institution and interested sub-grantees in determining where the most urgent needs exist.

3. Determining the relevance of a proposal to the priorities and needs of countries may be difficult. Assessment: Here again, the assessments can be used to address this issue. Sub-grantees will be required to clearly articulate how their proposed project responds to an identified need.

Anticipated Accomplishments:

- . Providing another mechanism for a joint public/private sector response to the humanitarian needs in the new independent states.
- . Having an activity which responds to short-term needs while it gathers data and sets the stage for more medium and long term activities fostering the transition to free market democracies.
- . The limited competition will enable rapid startup of activities, with the first sub-grants awarded approximately June 15, 1992.
- . It is anticipated that approximately eight sub-grants will be awarded under this activity. As indicated above, they will be equally divided between geographic region, target beneficiaries served and technical sectors addressed. Each sub-grant will establish a linkage with at least one local NGO, and directly benefit anywhere from 500 to 5000 individuals. Indirect beneficiaries are expected to number several hundred thousand.

Time Line

CN expires		March 21
Project 001 auth. amended	NLT	March 25
Preparation of short list	NLT	March 20
RFA distributed	NLT	March 25
Deadline for submission	NLT	April 8
RFA review completed	NLT	April 15
PIO/T with revised proposal to contracts	NLT	April 22
Cooperative agreement negotiated	NLT	May 8
First sub-grants awarded	NLT	June 15

March 20, 1992

MEMORANDUM

TO: See Distribution

FROM: EUR/DR/DPI, Donna Frago

SUBJECT: Minutes of PDP Review Meeting for NIS PVO Initiatives

John Wiles, EUR/OSA, chaired the PDP review of the PVO Initiatives Project for the NIS. This review was the last of three internal reviews and the purpose was to identify any remaining issues and recommend appropriate modifications. Regina Coleman, EUR/DR/DPI presented a brief overview of this project which is currently budgeted for \$4 million in 1992 with potential for an additional \$4.5 million.

Issues and recommendations identified by the participants included the following:

1 - Sub-granting status of local NGOs: U.S. PVOs receiving sub-grants will be required to identify the local entity with which they are working. No sub-grants will be awarded directly to local NGOs.

2 - Budget: An illustrative budget which reflects anticipated program activities (administration, technical assistance, sub-grants etc.) needs to be completed as part of the PDP.

3 - Selection criteria for sub-grants: - A.I.D.'s criteria and priorities for sub-grants must be clearly identified in the RFA. Consistent with the humanitarian focus, priority will be given to PVO activities which address basic human needs (i.e. food, shelter, medical and social needs) of the targeted populations (children, the elderly, handicapped, etc.). Any geographical priorities will also be identified. In addition, the sub-grantees will be required to identify technical assistance activities to enhance management capabilities of the local NGO and promote voluntarism.

4 - Voluntarism - Since the technical assistance activities related to promoting voluntarism is a regional activity, it will be accomplished can either directly by the lead organization if it has in-house institutional capability or through a sub-grant. NOTE: Prior to issuing the RFA, EUR/DR/DPI will discuss with FHA/PVC, its new VEST Project to determine whether that project can provide the T.A.

4 - Audit - The RFA for the lead PVO will request that PVO proposals demonstrate institutional capability to award sub-grants in a manner consistent with all A.I.D. sub-granting regulations including audit.

5 - Procurement - Procurement will be consistent with current AID Source Origin Nationality regulations.

6 - Implementation - The implementation schedule is included in the PDP and allows for limited competition to select the lead organization; open competition for sub-grants and award of first grant by early June.

7 - Lead PVO - Only one lead organization will be selected. The RFA will require documentation to demonstrate the PVO's capability to provide a broad range of services to a project which may well expand beyond the original proposed budget and beyond the proposed number of sub-grants.

8 - Authorization - The amended authorization will be circulated through Ambassador Armitage's Office for clearance.

9 - A minimum 25% cost share will be required on all sub-grants with extra points going to proposals/organizations which demonstrate a greater contribution. It is recognized that the cost share can be waived when circumstance merit such consideration.

It was agreed that the recommendations listed would be incorporated into a final draft which will be the basis of the Authorization Amendment to be circulated by EUR/OSA for approval immediately after the CN clears March 20, 1992. EUR/DR/DPI will prepare the PIO/T and meet immediately with OP to discuss the RFA.

Drafted:EUR/DR/DPI:DFrago:7-7307:Minutes

DISTRIBUTION:

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Adrienne DeGraffenreid, EUR/PDP/PD  
Heather Bomberger, D/CISA  
Barbara Turner, CIS Task Force  
Linda Bernstein, EUR/OSA



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TAB B

185

AGENCY FOR INTERNATIONAL DEVELOPMENT  
ADVICE OF PROGRAM CHANGE

COUNTRY: New Independent States Regional

PROJECT TITLE: Democratic and Economic Initiatives

PROJECT NUMBER: 110-0001

FY 1992 CP REFERENCE: None

APPROPRIATION CATEGORY: Economic Support Fund (ESF)

LIFE-OF-PROJECT FUNDING: \$25,000,000 ESF Grant

INTENDED FY 1992 OBLIGATION: \$14,900,000 ESF Grant

This is to advise that A.I.D. now intends to obligate \$14,900,000 for the Democratic and Economic Initiatives Project as follows: \$8,850,000 in FY 1991 Economic Support Fund (ESF) carryover grant funds originally planned for Pakistan of which \$3,200,000 was notified by Congressional Notification #057 submitted December 6, 1991 under Project Number 164-0001, and \$6,050,000 in FY 1992 ESF grant funds. This is a new project which was not included in the FY 1992 Congressional Presentation. Life-of-project funding will be \$25,000,000. Life of project will be extended from two years to four years.

The Project purpose is to support the economic and social transformation of the new independent states of the former Soviet Union into free-market democracies.

Attachment: Activity Data Sheet

# AGENCY FOR INTERNATIONAL DEVELOPMENT ACTIVITY DATA SHEET

PROGRAM: New Independent States Regional

CP 81-06 (4-86)

TITLE Democratic and Economic Initiatives		FUNDING SOURCE Economic Support Fund		PROPOSED OBLIGATION (in thousands of dollars)	
NUMBER 110-0001		NEW <input checked="" type="checkbox"/> LOAN <input type="checkbox"/>		FY 92 14,900	
GRANT <input checked="" type="checkbox"/> LOAN <input type="checkbox"/>		CONTINUING <input type="checkbox"/>		LIFE OF PROJECT (Awar) 25,000	
PRIOR REFERENCE CN submitted 12/6/91		INITIAL OBLIGATION FY 92		ESTIMATED FINAL OBLIGATION FY 95	
				ESTIMATED COMPLETION DATE OF PROJECT FY 96	

**Purpose:** To support the economic and social transformation of the new independent states (NIS) of the former Soviet Union into free-market democracies.

**Background:** The dramatic collapse of the Soviet Union presents an historic opportunity for a transition to a more peaceful and stable international order and the gradual integration of the NIS into the community of democratic nations. The United States has a vital interest in the success of this transition. Based on a series of action plans developed in conjunction with the January 1992 Coordinating Conference held in Washington, an initial A.I.D. program for the region has been developed. It has six objectives: to encourage free-market economic systems; promote democracy; meet urgent humanitarian needs; convert defense-oriented economies; promote bilateral trade and investment; and increase the efficiency of the energy sector in the new states. This project is a principal component of this program.

**Project Description:** This Project will include three general categories of assistance activities. First, the Project will provide short- and medium-term, quick-response advisory services, training, PVO coordination and support and other assistance to promote the six objectives described above. Subsequent funding of activities initiated under this category of the Project may be developed in new, separate projects. Second, the Project will undertake activities which are multi-sectoral in nature. Examples of this second category include short-term advisory services and internship activities in health, education, business, defense conversion and production carried out by the International Executive Service Corps (IESC) program and the Special American Business Intern Training (SABIT) program respectively. Third, this Project will finance activities related to the further development of the program for the NIS (PD65).

Activities to be funded include:

- **Technical Assistance:** TA in the priority areas at all levels of government and private entities to support short-term, quick-response, multi-sectoral activities.

- **Training and Education:** education and training for citizens of the NIS from both the private and public sectors in courses, internships, seminars, workshops, and media programs related to the priority, multi-sectoral areas of assistance including public administration.
- **Feasibility Studies:** trade and investment feasibility studies to promote U.S. trade and investment and to lay the basis for long-term cooperation and assistance will be provided.
- **Private Voluntary Organizations:** Funding of selected PVO activities, including PVO coordination.
- **Project Development and Support:** Funding of technical services and support to provide additional design, audit and evaluation resources and other project-related technical assistance in support of the overall NIS project portfolio.

**Relationship of the Project to A.I.D. Strategy:** The development and strengthening of democratic institutions and decentralized, free-market economies, as this Project seeks to do, is central to A.I.D.'s strategy for the NIS.

**Beneficiaries:** The direct beneficiaries of the Project will be the business people and government personnel who will receive technical assistance and training. Indirect beneficiaries will include citizens of the NIS who will have increased job opportunities and income generation resulting from free-market economies and U.S. trade and investments in the NIS.

**Host Country and Other Donors:** Other donors include the World Bank, the International Monetary Fund, the European Community and numerous bilateral donors. Project assistance will be coordinated with other donors as appropriate.

**A.I.D.-Financed Inputs:**  
Technical Assistance  
Training/Seminars/Internships  
Commodities

## Life of Project (\$000)

Technical Assistance	11,000
Training/Seminars/Internships	12,000
Commodities	2,000
<b>Total:</b>	<b>25,000</b>

U.S. FINANCING (in thousands of dollars)				PRINCIPAL CONTRACTORS OR AGENCIES
	Obligations	Expenditures	Undisbursed	
Through September 30, 1990	-	-	-	
Estimated Fiscal Year 1991	-	-	-	
Estimated Through September 30, 1991	-	-	-	
Proposed Fiscal Year 1992	14,900	10,100	25,000	

25

New Independent States Regional  
Democratic and Economic Initiatives 110-0001

Clearances:

DAA/EUR: DMerrill	<u>DM</u>	date:	<u>3/6/92</u>
GC/EUR: HMorris	<u>HM</u>	date:	<u>2/6/92</u>
R&D/TF: BTurner	<u>(draft)</u>	date:	<u>02/21/92</u>
EUR/OSA: PO'Farrell	<u>(draft)</u>	date:	<u>02/18/92</u>
EUR/DR: RAnthony	<u>(draft)</u>	date:	<u>02/04/92</u>
EUR/PDP: SSmith	<u>(draft)</u>	date:	<u>02/05/92</u>
GC/LP: RLester	<u>(draft)</u>	date:	<u>02/05/92</u>
EUR/PD: RFanale	<u>(draft)</u>	date:	<u>02/05/92</u>
EUR/RME/FM: BBrockie	<u>(draft)</u>	date:	<u>02/03/92</u>
FA/B: LLeDuc	<u>(draft)</u>	date:	<u>02/05/92</u>
EUR/OSA: EKvitashvili	<u>(draft)</u>	date:	<u>02/03/92</u>
ST:D/EEA: VLehovich	<u>(draft)</u>	date:	<u>02/05/92</u>
ST:EUR/ISCA/E: KVolker	<u>(draft)</u>	date:	<u>02/11/92</u>

drafted: EUR/OSA: JWiles, 1/31/92: 77376

EUR/PDP: EBailly: 76389: CN Coordination

cc-FA/B: JPainter

03/05/92

26

December 27, 1991

To: GC/EUR, Herb Morris

From: GC/CCM, Ken Fries *KF*

Subject: Local Procurement for Energy Project in New CIS Republics

The reasoning in the attached memo regarding Poland and Hungary would seem applicable also to the situation you described to me involving the prospective EUR energy project in the new CIS republics (former Soviet Union), provided that the local procurement takes place in republics for which assistance is authorized. I assume this will be the case; I understand that the local procurement contemplated is minor logistical support (office space, gasoline, etc.) which could only be procured locally. You may wish to refer to the attached memorandum in the project authorization.

I will pursue with State/L a formal policy determination by Under Secretary of State Bartholemew regarding such procurement eligibility as a general matter in keeping with the commitment made in the October 31, 1991 memorandum approved by Deputy Secretary Eagleburger.

Att:Fries/Morris Memorandum of November 20, 1989

cc:GC/LP, RLester

27

NOV 20 1965

MEMORANDUM

TO: GC/ANE, Herb Morris  
GC/ANE, Jonathan Silverstone

FROM: GC/CCM, Ken Fries ~~✓~~

SUBJECT: Poland/Hungary Local Currency Procurement  
FAA Section 604(a)

You asked whether limited local currency procurement in Poland or Hungary would be consistent with FAA Section 604(a) or the Determinations thereunder by President Kennedy. I understand that assistance to those countries is now authorized by law and that only incidental local currency procurement is contemplated. There is no present consideration of the eligibility of Poland or Hungary to be procurement source countries for international A.I.D.-financed transactions.

As you know, Section 604(a) of the Foreign Assistance Act of 1961, as amended, provides inter alia:

"Funds made available under this Act may be used for procurement outside the United States only if the President determines that such procurement will not result in adverse effects upon the economy of the United States...."

On October 18, 1961, President Kennedy made the Determination required by Section 604(a) to allow for procurement from "less developed countries," and, under specified circumstances, from various developed countries. Further the Kennedy Determination states: "Procurement outside the United States shall be from Free World sources, in any case".

In accordance with this Determination, A.I.D. has classified eligible sources for procurement into various "Geographic Codes." When procurement is authorized from the U.S. only, Code 000 applies. When procurement is authorized from the U.S. or selected developed free world countries, Code 941 applies. Countries outside the "Free World" are not included in any of the authorized Geographic Codes. When, in exceptional cases,

procurement is authorized from free world industrialized countries as well as the U.S. and selected developing countries, then Code 935 applies. "Free World" is presently defined as excluding, inter alia, Poland and Hungary.

In my view, the legal standards established under Section 604(a) and the 1961 Presidential Determination were intended to apply to international procurement, where aid-recipient countries import needed commodities and services. There is no reference to local currency procurement in the statute or Presidential Determination presumably because such procurement was considered to be either of small value or incidental to the A.I.D.-financed activity in question. It would be an anomalous result if A.I.D. were authorized by law to extend assistance to a country but banned from procuring in that country goods and services which might be necessary to the implementation of the assistance authorized for that country. GC has previously advised, in a somewhat analogous situation, that Section 604(a) does not restrict local currency project expenditures from a Sudanese segregated account (although 604(a) applied to dollars furnished for foreign exchange costs of imported project commodities). See Clapp to Files, Feb. 23, 1962 (See Opin. #10-S604 FAA)).

If future legislation contains the authority to assist Poland or Hungary "notwithstanding any other provision of law," then the FAA Section 604(a) analysis set forth above will not be necessary.

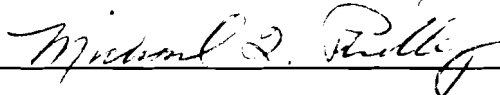
cc: DGC, John Mullen

## INITIAL ENVIRONMENTAL EXAMINATION

- (A) PROGRAM COUNTRY: Commonwealth of Independent States (Regional)
- (B) ACTIVITY: Democratic and Economic Initiatives, No. 110-0001
- (C) FUNDING: \$25.0 million (ESF)
- (D) PERIOD OF FUNDING: FY 1992 and 1993
- (E) STATEMENT PREPARED BY: Elisabeth Kvitashvili, EUR/OSA
- (F) ENVIRONMENTAL ACTION RECOMMENDED: Categorical Exclusion under A.I.D. Regulation 22CFR216 Environmental Procedures 216.2 (c)(1)(i) and 216.2 (c)(2)(i)

## (G) DECISION OF ENVIRONMENTAL OFFICER

APPROVED:



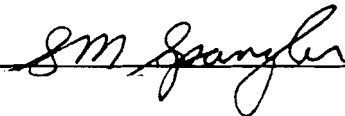
DISAPPROVED: \_\_\_\_\_

DATE:

3-26-92

(H) DECISION OF <sup>ASSOCIATE</sup> ~~ASSISTANT~~ ADMINISTRATOR

APPROVED:



DISAPPROVED: \_\_\_\_\_

DATE:

3/27/92

EXAMINATION OF THE NATURE, SCOPE AND MAGNITUDE OF THE ENVIRONMENTAL IMPACT

A. DESCRIPTION OF THE PROGRAM:

This project provides training and technical assistance to institutions, individuals and private voluntary organizations in primarily six countries of the Commonwealth to support efforts to promote democratic values and systems and strengthen economic reforms to establish open market economies. There is no impact on the environment as far as A.I.D. managed activities are concerned.

B. RECOMMENDED ENVIRONMENTAL ACTION:

Because the project provides only training and other educational assistance and studies, a categorical exclusion from A.I.D.'s Initial Environmental Examination, Environmental Assessment and Environmental Impact Summary requirements is proposed. This proposal is in accordance with A.I.D. Environmental Procedures 22CFR Part 216, Sections 216.2(c)(1)(i) which generally provides for a categorical exclusion in situations where the purpose of the project does not require A.I.D. to have "knowledge of or control over, the details of the specific activities that have an effect on the environment for which financing is provided by A.I.D." Specifically, this activity is categorically excluded under Sections 216.2(c)(2)(i) for education and technical assistance.



31  
ORIG PACKAGE RECEIPTED TO EUR-NILES

TAB E

COPIES TO:

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AID TO:

RF

cah



United States Department of State

EXECUTIVE SECRETARIAT

Washington, D. C. 20520

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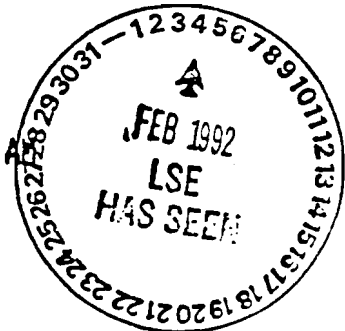
FEB 3 1992

ACTION MEMORANDUM *we 2/4*

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9202390

92 FEB-04 8:15



D - Mr. Eagleburger

EUR - Thomas M.T. Niles  
H - Janet G. Mullins *RMH*

SUBJECT: Circular 175: Request for Blanket Authority to  
Negotiate and Conclude Assistance Agreements with  
Former Soviet Republics

#### ISSUE FOR DECISION

Whether to authorize the negotiation and conclusion of  
bilateral agreements as appropriate with the former Soviet  
republics in connection with the provision of assistance.

#### ESSENTIAL FACTORS

We are proceeding quickly with assistance programs for  
several of the former Soviet republics. We are moving forward  
with \$5 million of assistance funded from reprogrammed FY-91  
ESF, a \$165 million USDA food aid program, and humanitarian  
assistance programs under a series of DOD authorities. A more  
extensive technical assistance program is in preparation and  
additional assistance will also follow.

A.I.D. believes, and we concur, that we need to obtain  
agreements with the concerned republics conferring certain  
essential legal protections for the ESF program. Under the  
proposed agreements, the republics would:

- provide tax and customs exemptions for U.S.-provided  
commodities or equipment, and for U.S. nongovernmental  
personnel responsible for implementing the assistance  
programs;
- provide immunity for USG assistance personnel from criminal  
jurisdiction of local courts, and from civil jurisdiction  
of local courts for official acts;

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32  
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- 2 -

- allow USG representatives to inspect utilization of the assistance, and to inspect or audit any records or other documentation in connection with the assistance, wherever such records are located;
- commit to use commodities, supplies or other property solely for agreed-upon purposes;
- in cases in which the republic is responsible for items being used for other purposes, to refund their value to the USG (if the USG deems doing so appropriate); and
- provide exemptions for aircraft and vessels from landing fees, navigation charges, port charges, tolls, and similar charges.

A draft agreement is attached at Tab A. The text would cover assistance provided by various USG agencies, including USDA and DOD as well as A.I.D. We believe application of these protections to the USDA and DOD-provided assistance is prudent given their scope and visibility, and the inter-related nature of assistance efforts being implemented by the various USG agencies.

The draft text provides that we may need to conclude further, more specific agreements in connection with particular assistance activities. In particular, under the Food-for-Progress and section 416(b) programs, USDA will need to conclude separate agreements. This language may also be useful if we later decide to conclude formal economic and technical assistance agreements with respect to A.I.D.-administered programs for the republics. With this in mind, the draft text provides that the provisions of these specific agreements will control in the event their terms conflict. (The need for any additional Circular 175 authority would be considered on a case-by-case basis).

We will continue to consult with the Hill regarding our assistance efforts for the former Soviet republics. We do not believe that specific consultations regarding these agreements are needed at this time. We would, however, inform the staff of relevant committees of our intent to seek such agreements. As we would emphasize to the republics in the course of negotiations, the conclusion of these agreements would not itself commit the United States to provide assistance. After entry into force, each agreement will be reported to the appropriate committees of Congress under the usual Case Act procedures, and H will coordinate any necessary Hill briefings.

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- 3 -

The proposed agreements do not require environmental documentation under either the National Environmental Policy Act of 1969, 42 U.S.C. 4321, or Executive Order No. 12114 (January 4, 1979). The negotiation and conclusion of these agreements will not entail personnel or funding resource requirements for the Department of State.

If you approve, Rich Armitage would be able to begin the process of negotiating these agreements as appropriate during his forthcoming trips to the former Soviet Union.

RECOMMENDATION

That you authorize D/CISA (or, as appropriate, EUR or the relevant post) to negotiate and conclude an agreement with each of the republics based on the text attached at Tab A. Any changes from that text shall be subject to the concurrence of L, EUR and D/EEA (which will obtain clearances from A.I.D. and co-ordinate as appropriate with other agencies). Negotiation and conclusion of agreements with Azerbaijan, Georgia, Moldova, Tajikistan, Turkmenistan, and Uzbekistan will not commence until specifically authorized by you.

FEB 04 1992

Approve

*MR*

Disapprove

*\*without limitation*

Attachments:

Tab A - Draft Agreement

Tab B - Memorandum of Law

*shown in Rec,*

*\*WITHOUT LIMITATION SHOWN IN REC.*

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- 4 -

Drafted: AID/GC: H Morris:: L/EUR: TFBuchwald<sup>TS</sup>  
X-6295 1/21/92

Cleared:

D/EEA - Mr. Lehovich<sup>TS</sup>  
P - Ms. van Voorst<sup>TS</sup>  
EUR/ISCA - Ms. Griffiths  
M/FMP - Ms. Kent  
D/CISA - Mr. Nelson  
L/SFP - Ms. Jacobson  
S/P - Ms. Heslin  
DOD - Mr. Wolthius  
USDA - Mr. Goldthwait  
PM - Mr. Martel

H - Mr. Bradtke<sup>TS</sup>  
C - Mr. Wilson  
M - Mr. Johnson  
L - Mr. Kreczko  
L/PM - Mr. Murphy  
L/T - Mr. Taft  
AID - Mr. Roskens  
AID/EUR - Mr. Merrill  
AID/AA/R&D Mr. Bissell

Doc. No. 1415 (30)

UNCLASSIFIED



MEMORANDUM OF LAW

Subject: Circular 175: Request for Blanket Authority for Negotiation and Conclusion of Assistance Agreements with the Twelve Former Soviet Republics

The accompanying Circular 175 action memorandum requests blanket authority to negotiate and conclude agreements with each of the twelve former Soviet republics (the "countries") to obtain certain legal protections in connection with U.S. assistance programs.

The proposed agreements do not imply or promise any particular level of assistance. Instead, they establish terms and conditions regarding assistance that may be provided by the U.S. government in accordance with applicable laws and regulations. These terms and conditions include tax and customs exemptions for U.S.-provided commodities or equipment, and for nongovernmental personnel responsible for implementing assistance programs; provision to USG assistance personnel of status equivalent to that accorded administrative and technical staff under the Vienna Convention on Diplomatic Relations; authorization by each of the countries for USG representatives to inspect utilization of the assistance, and to inspect or audit any records or other documentation in connection with the assistance, wherever such records are located; commitment by each of the countries to use commodities, supplies or other property solely for agreed-upon purposes; in cases in which the republic is responsible for items being used for other purposes, to refund their value to the USG (if the USG deems doing so appropriate); and provide exemptions for aircraft and vessels from landing fees, navigation charges, port charges, tolls, and similar charges.

Legal authority to negotiate and conclude the agreements is provided by the President's constitutional responsibilities for the conduct of foreign relations (Article II, Section I, Clause I) and the Secretary of State's authority for the day-to-day conduct of foreign relations (22 U.S.C. section 2656).

In addition, with respect to assistance provided under the Foreign Assistance Act of 1961, as amended, section 635(b) of that Act provides that the President may make and perform agreements with any friendly government or government agency "in furtherance of the purposes and within the limitations of this Act." This authority has been delegated to the Secretary of State by Executive Order No. 12163 (Sept. 29, 1979), as amended.

- 2 -

For the foregoing reasons, there is no legal objection to the proposed negotiation and conclusion of executive agreements with each of the twelve countries as described in the accompanying action memorandum. Any changes in that text shall be subject to the concurrence of L, EUR and D/EEA.

Todd F. Buchwald

Todd F. Buchwald, Acting  
Assistant Legal Adviser for  
European and Canadian Affairs

X-6295 1/21/92  
cleared: L/T:GTaft  
L/SFP:LJacobson  
L/PM:SMurphy  
Doc. No. 1415 (33)

AGREEMENT BETWEEN  
THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND  
THE GOVERNMENT OF \_\_\_\_\_  
REGARDING COOPERATION TO FACILITATE  
THE PROVISION OF ASSISTANCE

The Government of the United States of America and the Government of \_\_\_\_\_:

Recognizing the interests of the Government of the United States of America and the Government of \_\_\_\_\_ in cooperating to facilitate the provision of humanitarian and technical economic assistance to benefit the people of \_\_\_\_\_; and

Recognizing the need to make certain practical arrangements to help ensure the effectiveness of that assistance;

Have agreed as follows:

ARTICLE I

TAXES AND OTHER CHARGES

(a) Commodities, supplies or other property provided or utilized in connection with United States assistance programs may be imported into, exported from, or used in \_\_\_\_\_ free from any tariffs, dues, customs duties, import taxes, and other similar taxes or charges imposed by \_\_\_\_\_, or any subdivision thereof.

(b) Any United States Government or United States private organization that has responsibility for implementing United States assistance programs, and any personnel of such private organization who are not nationals of or ordinarily resident in \_\_\_\_\_ and that are present in \_\_\_\_\_ in connection with such programs, shall be exempt from (1) any income, social security or other taxes imposed by \_\_\_\_\_, or any subdivision thereof, regarding income received in connection with the implementation of United States assistance programs, and (2) the payment of any tariffs, dues, customs duties, import taxes, and other similar taxes or charges upon personal or household goods imported into, exported from, or used in \_\_\_\_\_ for the personal use of such personnel or members of their families.

(c) The access and movement of aircraft and vessels operated by or for the Government of the United States of America in connection with United States assistance programs in \_\_\_\_\_ shall be free of landing fees, navigation charges, port charges, tolls and similar charges by \_\_\_\_\_, or any subdivision thereof.

- 2 -

## ARTICLE II

## STATUS OF PERSONNEL

Civilian and military personnel of the United States Government present in \_\_\_\_\_ in connection with United States assistance programs shall be accorded status equivalent to that accorded administrative and technical staff personnel under the Vienna Convention on Diplomatic Relations of April 18, 1961.

## ARTICLE III

## INSPECTION AND AUDIT

Upon reasonable request, representatives of the Government of the United States of America may examine the utilization of any commodities, supplies, other property, or services provided under United States assistance programs at sites of their location or use; and may inspect or audit any records or other documentation in connection with the assistance wherever such records or documentation are located during the period in which the United States provides assistance to \_\_\_\_\_ and for three years thereafter.

## ARTICLE IV

## USE OF ASSISTANCE

Any commodities, supplies, or other property provided under United States assistance programs will be used solely for the purposes agreed upon between the Governments of the United States of America and \_\_\_\_\_. If use of any commodities, supplies or other property occurs for purposes other than those agreed upon under such programs, which the Government of the United States of America determines could reasonably have been prevented by appropriate action of the Government of \_\_\_\_\_, the Government of \_\_\_\_\_ upon request shall refund in United States dollars to the Government of the United States of America the amount disbursed for such commodities, supplies, or other property. The Government of the United States of America may, in its discretion, make available the amount refunded to finance other costs of the assistance activity involved.



- 3 -

## ARTICLE V

## OTHER AGREEMENTS

The Government of the United States of America and the Government of \_\_\_\_\_ recognize that further arrangements or agreements may be necessary or desirable with respect to particular United States assistance activities. In case of any inconsistency between this Agreement and any such further written agreements, the provisions of such further written agreements shall prevail. Nothing in this Agreement shall be construed to derogate from the privileges and immunities granted to any personnel under other agreements.

## ARTICLE VI

## ENTRY INTO FORCE

This Agreement shall enter into force upon signature by both parties.

DONE AT \_\_\_\_\_, this \_\_\_\_ day of \_\_\_\_\_, 1992.

FOR THE GOVERNMENT OF  
THE UNITED STATES OF AMERICA:

FOR THE GOVERNMENT OF  
[NAME]:

40

Finding under Section 620(c) of the  
Foreign Assistance Act of 1961, as amended

Pursuant to section 620(c) of the Foreign Assistance Act of 1961, as amended (the "Act"), section 1-201(a)(12) of Executive Order 12163, as amended, and section 4(d) of State Department Delegation of Authority No. 145, as amended, I hereby find that application of the restriction contained in section 620(c) of the Act with respect to Armenia, Azerbaijan, Byelarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan would be contrary to the national security.

January 20, 1992  
Date

Lawrence S. Eagleburger  
Lawrence S. Eagleburger



U.S. AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT

MAR 25 1992

100 MAR 25 1992

~~PERSON~~ ACTING

ACTION MEMORANDUM FOR THE ADMINISTRATOR

THRU: AA/OPS, Scott Spangler *sm8*  
FROM: AA/R&D, Richard Bissell *RB*  
AA/EUR, David N. Merrill *DM*  
SUBJECT: Assistance to the Newly Independent States of the Former Soviet Union: Statutory Checklist

Problem: To take into consideration relevant statutory requirements in light of whether ESF funds (and DA funds, to the extent such funding may be made available in the future) should be used to provide technical and other assistance to support the transition of newly independent states of the former Soviet Union into democratic, free-market societies.

Discussion: A memorandum to you from the AA/EUR dated January 18, 1992 requested you to "take into account" certain statutorily mandated considerations before assistance to the newly independent states of the former Soviet Union could be authorized. Your consideration was limited, at that time, to the following republics of the former Soviet Union with whom the U.S. was establishing diplomatic relations: Armenia, Byelarus, Kazakhstan, Kyrgyzstan, Russia and the Ukraine. The State Department is now establishing full diplomatic relations with the remaining republics of the former Soviet Union (with the exception of Georgia), namely, Moldova, Azerbaijan, Tajikistan, Turkmenistan, and Uzbekistan. Thus, once again, we request that you take into consideration the factors described below before assistance to these republics may be authorized.

On September 10, 1991, the Secretary of State signed a determination, pursuant to §620(f)(2) of the Foreign Assistance Act (FAA) of 1961, as amended, permitting assistance to flow to the Soviet Union. (See Tab A.) Additionally, Deputy Secretary Eagleburger made a determination, dated January 20, 1992, under Section 620(c) of the FAA which permits assistance to the republics notwithstanding

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certain indebtedness to U.S. citizens that would otherwise prohibit these republics from receiving foreign assistance. This determination provides, in substance, that failing to provide assistance to these newly formed states is contrary to the national security of the United States. (See Tab B.) Pursuant to these determinations, assistance to the individual republics that formerly constituted the Soviet Union may be permitted provided that other statutory requirements are satisfactorily met.

Assistance to the republics is now being considered in the following areas: (1) increasing the levels of assistance for the previously authorized Democratic and Economic Initiative Project and the Energy Efficiency and Market Reform Project as well as developing activities in (2) private sector initiatives, (3) democratic pluralism initiatives, (4) housing sector reform, (5) health care improvement, (6) food systems restructuring, (7) economic restructuring and financial sector reform, and finally, (8) making an ESF grant to the Eurasia Foundation. All of this proposed assistance is now pending final Congressional notification and clearance.

Although we are working to include "notwithstanding any other provision of law" language in legislation for FY 92, such language is not now applicable to ESF funds to be used for the NIS. Therefore, certain factors must be "taken into consideration" by you before these proposed projects may be obligated from the ESF account (or the DA account, if such funding is later made available). In fact, you normally take into consideration a number of conditions, to the extent that they may exist, on an annual basis before approving an allocation of assistance to specific countries. However, in light of the fact that the Coordinator's Office wishes to proceed with implementing the proposed projects on an expedited basis, we are presenting certain issues for your consideration at this time on an ad hoc basis.

In order to ensure that all relevant statutory requirements have been met, A.I.D. has developed a "country checklist", describing such requirements with particularity. The items on this checklist have been responded to in substance by the State Department, and its memorandum is attached hereto as Tab C. In the case of the five republics of the former Soviet Union discussed herein, only one consideration is relevant in considering whether to provide assistance.

Section 620(l) of the FAA provides that assistance may be denied if the recipient country has failed to enter into an investment guaranty agreement with the United States. As of this date, OPIC is in the process of initiating negotiations with each of the five individual republics to whom we plan to render assistance. Although such negotiations are in the process of being initiated, they have not yet been finalized and, to date, OPIC has not concluded any bilateral investment guarantee agreements with these new republics. Please bear in mind, however, that

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statutorily mandated considerations in providing foreign assistance need only be "taken into account". The mere existence of such factual considerations does not, in and of itself, prohibit assistance to the country in question. Thus, in light of the fact that this process of negotiation has been initiated by OPIC but not concluded as of this date, we request you to take this into consideration and permit assistance to move forward as planned.

Recommendation: That you, by your signature below, take into consideration the circumstances described above, and approve the use of ESF funds (and DA funds to the extent necessary in the future), subject to the availability of such funds, for assistance to the five republics named above. Such assistance will be authorized by separate action, and shall be subject to the determinations made pursuant to §§620(f)(2) and (c) of the FAA.

Approved: Mark L Edelman

Disapproved: \_\_\_\_\_

Date: 3-27-92

Attachments:

TAB A - Section 620(f)(2) determination by the Secretary

TAB B - Section 620(c) determination by the Deputy Secretary

TAB C - Department of State Memorandum re: Statutory Checklist

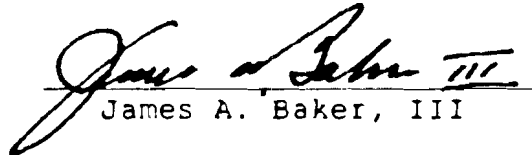
Determination under Section 620(f)  
of the  
Foreign Assistance Act of 1961, as amended

Pursuant to Section 620(f)(2) of the Foreign Assistance Act of 1961, as amended, (22 U.S.C. 2370(f)(2)), and Section 1-201(a)(12) of Executive Order No. 12163, as amended, I hereby determine that the removal of the Soviet Union from the application of Section 620(f) of the Foreign Assistance Act, for an indefinite period, is important to the national interest of the United States.

This determination shall be reported to the Congress and published in the Federal Register.

September 10, 1991

Date

  
James A. Baker, III

45

JUSTIFICATION FOR THE PRESIDENT'S DETERMINATION  
TO REMOVE THE PROHIBITION ON OPIC ACTIVITIES  
IN THE SOVIET UNION

A determination to remove the Soviet Union from the prohibition on assistance to Communist countries is in the national interest for several reasons. The U.S. supports efforts within the Soviet Union to establish a strong and functioning democracy and to move decisively toward a market economy. If these trends continue, the U.S. should support them by responding, step by step, to progress made.

At the recent Moscow Summit, President Bush underlined his support for market-oriented reforms in the Soviet Union by reaffirming his desire to promote U.S. trade and investment with the Soviet Union. To normalize our trade relations, he has already submitted the U.S.-Soviet Trade Agreement to Congress. He also reiterated his commitment to work with the Congress to lift the Stevenson and Byrd restrictions on official credit programs. The availability of OPIC programs for U.S. companies seeking to invest in the Soviet Union would complement these actions. Providing technical economic assistance is also consistent with the goal of helping the Soviets develop a market economy.

Moreover, the Soviet Union is giving evidence of fostering the establishment of a genuinely democratic system, with respect for internationally recognized human rights. The failed coup by hardline factions in the Soviet military and security forces has accelerated the establishment of a democratic system in the Soviet Union. The coup discredited the old guard in the Soviet Government and led to the collapse of the Communist Party, the primary obstacles to democratic reform and creation of a pluralistic political system.

The failure of the coup strengthened Soviet leaders, such as Boris Yeltsin and Leningrad Mayor Sobchak, who are committed to democracy and reform. President Gorbachev has replaced opponents of reform in key posts -- such as the Interior Minister, Defense Minister, and head of the KGB -- and appointed in their place men with strong reform credentials. More fundamentally, the opposition of the Soviet people to the coup showed that the principles of democracy and rule of law have taken root in the Soviet Union. There is a clear consensus for establishment of a genuinely democratic system that no Soviet or republic leader can choose to ignore.

The CPSU's reign of political dominance came to an end with the historic Supreme Soviet decree of August 29 suspending the activities of the party throughout the Soviet Union and seizing its assets. Several republics have gone further and outlawed the party completely. As President Bush stated, the collapse of the totalitarian non-democratic CPSU is a cause for cheer.

In recent years, the Soviets have demonstrated an increasing respect for internationally recognized human rights. Soviet citizens are freer to speak, write, practice their religion and participate in public life than ever before. As a reflection of this improvement, the U.S. Government, while continuing to express its concern at ongoing human rights abuses, is simultaneously working with the Soviet Government to institutionalize human rights progress. Substantial improvement has been seen in the Soviet human rights record in areas such as emigration, political prisoners and psychiatric abuse.

Initial developments after the coup suggest the potential for further human rights gains. A key reformist, Vadim Bakatin, was named to head the KGB, and the USSR Congress of Peoples' Deputies approved a declaration September 5 explicitly enumerating the rights of individuals.

In this environment, OPIC insurance and finance programs, along with technical economic assistance, can serve as useful tools to encourage the development of emerging private sector enterprises and institutions, as well as the normalization of bilateral economic relations.



Dear Mr. Chairman:

Section 620(f)(2) of the Foreign Assistance Act of 1961, as amended, authorizes the President to remove a Communist country from ineligibility to receive assistance under the Foreign Assistance Act if the President determines and reports to the Congress that such action is important to the national interest of the United States. The President's authority to make such determinations has been delegated to the Secretary of State pursuant to Section 1-201(a)(12) of Executive Order No. 12163 of September 29, 1979, as amended. On behalf of the Secretary of State, we wish to advise that, pursuant to these authorities, the Secretary of State has determined that it is important to the national interest to remove the Soviet Union from the application of Section 620(f). I enclose a copy of the Secretary's determination and justification.

Sincerely,

Janet G. Mullins  
Assistant Secretary  
Legislative Affairs

Enclosures:  
As stated.

The Honorable  
Dante B. Fascell,  
Chairman, Committee on Foreign Affairs,  
House of Representatives.

Dear Mr. Chairman:

Section 620(f) of the Foreign Assistance Act of 1961, as amended, authorizes the President to remove a Communist country from ineligibility to receive assistance under the Foreign Assistance Act if the President determines and reports to the Congress that such action is important to the national interest of the United States. The President's authority to make such determinations has been delegated to the Secretary of State pursuant to Section 1-201(a)(12) of Executive Order No. 12163 of September 29, 1979, as amended. On behalf of the Secretary of State, we wish to advise that, pursuant to these authorities, the Secretary of State has determined that it is important to the national interest to remove the Soviet Union from the application of Section 620(f). I enclose a copy of the Secretary's determination and justification.

Sincerely,

Janet G. Mullins  
Assistant Secretary  
Legislative Affairs

Enclosures:  
As stated.

The Honorable  
Claiborne Pell,  
Chairman, Committee on Foreign Relations,  
United States Senate.

INTERIM REORGANIZATION  
DELEGATION OF AUTHORITY NO. 1

TO: Associate Administrator for Operations  
FROM: The Administrator  
SUBJECT: General Authority

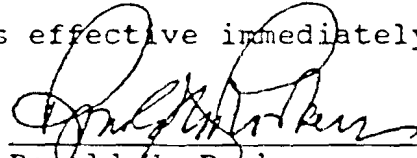
Pursuant to my authority as Administrator, it is hereby ordered as follows:

A. There is delegated to the Associate Administrator for Operations ("AA/O") all of the authorities and functions relating to the Operations Group as described in the Management Action Plan, including the authorities delegated to the Assistant Administrators ("AAs") and the Director, Office of Foreign Disaster Assistance ("D/OFDA").

B. Other Delegations. All delegations from the Administrator to an AA or D/OFDA are amended by replacing the AA or D/OFDA with AA/O as the delegate.

B. General Provisions. The General Provisions of Chapter 1 of Handbook 5 apply, unless provided otherwise in the specific delegation.

C. This Delegation of Authority is effective immediately.



Ronald W. Roskens  
Administrator

Dated: 5-16-91